**STATE OF SOUTH CAROLINA**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**DOCKET NO. 2019-365-E**

| | |
|---|---|
| In the Matter of: | ) |
| | ) |
| Exploration of a South Carolina | ) |
| Competitive Procurement Program | ) |
| for the Competitive Procurement of | ) |
| Energy and Capacity from Solar and | ) |
| Other Renewable Energy Facilities | ) |
| by an Electrical Utility as Allowed | ) |
| by South Carolina Code Section 58- | ) |
| 41-20(E)(2) | ) |

# RESPONSE TESTIMONY OF KENNETH SERCY

# ON BEHALF OF THE SOUTHERN ALLIANCE FOR CLEAN ENERGY AND SOUTH CAROLINA COASTAL CONSERVATION LEAGUE

## TABLE OF CONTENTS

I. Purpose of Near-Term Competitive Procurement of Renewable Energy ..... 3

II. Achievability of Near-Term Competitive Procurement of Renewable Energy ..... 6

**Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

A. My name is Kenneth Sercy. I am an independent electric sector consultant, and my business address is 9042 East 24th Place #102, Denver CO 80238.

**Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?**

A. I am providing testimony on behalf of the South Carolina Coastal Conservation League ("CCL") and the Southern Alliance for Clean Energy ("SACE").

**Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?**

A. My response testimony comments on the direct testimony of Duke Energy and Dominion Energy South Carolina ("DESC") witnesses in two areas. First, I discuss the purpose of a near-term competitive procurement of renewable energy. Second, I discuss achievability of a near-term competitive procurement of renewable energy. I then close out my response testimony with summary conclusions.

## I. PURPOSE OF NEAR-TERM COMPETITVE PROCUREMENT OF RENEWABLE ENERGY

**Q. DOES DUKE WITNESS GEORGE BROWN ADDRESS THE PURPOSE OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY?**

A. Duke Witness Brown asserts that "[d]etermining a clear purpose for a program is essential to ensuring its success and that the cost of the program borne by customers is justified by the benefits,"[1] and goes on to list "[s]ome potential purposes" but does not appear to take a position on which purposes should be selected, whether for a near-term or a future procurement program.

[1] Brown Direct Testimony at 11.

**Q. DO ANY OF DESC'S WITNESSES ADDRESS THE PURPOSE OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY?**

A. DESC Witness Danny Kassis states that "[b]efore committing to a CPRE process, there must be a substantial understanding of the need and desired solution"[2] and that "[c]onsidering the specific needs of a utility prior to implementing a CPRE process is critically important because each utility's unique characteristics… impact whether and how the utility would utilize the CPRE process."[3] Like Duke Witness Brown, DESC Witness Kassis offers ideas as to what the purpose or need of a procurement program could be. Unlike Duke Witness Brown, DESC Witness Kassis appears to take at least one position on a purpose or need that would not be appropriate to the DESC system, namely "[t]hese more advanced systems would not use the CPRE process to simply bolster PURPA and further add utility-scale generation of the same fuel source—particularly where such fuel source already comprises a significant percentage of the overall generation portfolio. In fact, intermittent solar has reached a penetration level such that DESC has been required to implement its curtailment protocols."[4]

**Q. PLEASE RESPOND TO THE DUKE AND DESC WITNESS COMMENTS ON THE PURPOSE OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY.**

My direct testimony concludes that implementing a near-term program for the competitive procurement of renewable energy would be in the public interest, because doing so would serve several purposes: advancing a goal of state energy policy in a least-cost manner,

[2] Kassis Direct Testimony at 12-13.
[3] Kassis Direct Testimony at 9.
[4] Kassis Direct Testimony at 6.

substituting for fossil generation and reducing ratepayer risk exposure, helping to enable future coal retirements, providing price discovery, and building institutional and market experience with such procurements.

While some of these purposes were not raised by Duke and DESC Witnesses (such as price discovery and institutional experience), in my view the others align well with potential purposes noted by Duke and DESC. For example, Duke Witness Brown notes that one purpose may be "to meet existing or future State or Federal renewable energy policy objectives" and another may be "[t]o diversify the utility's generation fleet."[5] Also, DESC Witness Kassis notes a potential purpose "…to accelerate and more cost-effectively advance policy objectives such as the adoption of renewable generation…."[6]

And while my direct testimony noted that the DESC system currently generates a relatively low share from renewables (8% of system generation versus more than 70% in recent years from coal and gas), my testimony also recognized that issues such as solar curtailment and technologies such as storage may be worth considering in designing procurement programs for South Carolina. Thus, I do believe standalone solar could be successfully procured in the near-term given appropriate procurement design, and I also agree that solar paired with storage could be an appropriate option to include in a near-term renewables procurement. Storage can enhance the energy value of solar resources and can also provide additional system capacity value.

Thus, two broad purposes have been recognized by multiple witnesses: (1) advancing state energy policy, in particular in a least-cost manner, and (2) diversifying energy supply and reducing ratepayer risk exposure created by fossil generation. While I would re-iterate

[5] Brown Direct Testimony at 11.
[6] Kassis Direct Testimony at 6.

additional purposes such as price discovery, building institutional experience, and enabling future coal retirements, the Commission could give extra weight to the two areas noted here that appear to be consensus purpose statements.

**Q. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE PURPOSE OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY?**

Yes, I would like to address how the purpose of a renewables procurement program relates to the "greater of" approach I recommended in my direct testimony. I recommended a "greater of" approach to volume setting, whereby the procurement volume to be obtained within three years is set at the greater of (1) the level of renewable energy identified in the utility's IRP proceeding as part of the most reasonable and prudent plan, or (2) 1% of the utility's South Carolina retail sales. In either case, the procurement would serve all of the purposes I described above. In the former case, the procurement would simply be the mechanism for adding the renewable energy identified in the IRP. In the latter case, the procurement would capture the same categorical benefits, but in a lower-volume procurement that does not constitute a material departure from the IRP.

## II. ACHIEVABILITY OF NEAR-TERM COMPETITVE PROCUREMENT OF RENEWABLE ENERGY

**Q. DOES DUKE WITNESS BROWN ADDRESS THE ACHIEVABILITY OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY?**

A. Duke Witness Brown discusses the significant deliberations leading to the successful deployment of North Carolina's Competitive Procurement of Renewable Energy, which notably was designed to procure up to 2,660 MW of renewables. He also states that "[t]here are significant complexities in establishing programs for the competitive

procurement of renewable energy. The creation of such programs is time consuming and requires a number of decisions to be made by the legislature or utility commission, as applicable, in order to establish, implement, and oversee such programs."[7] Further, he discusses ten issues that he deems important in considering a renewables procurement program, and states that there are additional issues that he has not raised.

**Q. DO ANY OF DESC'S WITNESSES ADDRESS THE ACHIEVABILITY OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY?**

A. DESC Witness Kassis states that "[a] competitive procurement program may be challenging to manage and involves broad issues ranging from contract management, grid-interconnection and integration."[8] DESC Witnesses Koujak and Manz address a range of implementation issues, such as selecting between procurement types, considering a variety of program design elements, and the role of interconnection.

**Q. PLEASE RESPOND TO THE DUKE AND DESC WITNESS COMMENTS RELATING TO ACHIEVABILITY OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY.**

The Duke and DESC Witnesses have provided valuable input as to what can and should be considered in creating competitive procurement of renewable energy programs. Notably, while the witnesses do point out challenges and key decisions that would need to be made, none of the witnesses appear to substantially question the feasibility or achievability of such programs, whether implemented in the near-term or in the future. My direct testimony emphasizes that hundreds of competitive procurement programs for renewable energy have been completed around the world, and that such programs have been used widely within

[7] Brown Direct Testimony at 8.
[8] Kassis Direct Testimony at 12.

the U.S., continue to be very common, and have been implemented throughout the Southeast as well. The flexibility of the competitive procurement approach has enabled a wide variety of program designs to be successfully developed and used. In short, whether a procurement targets a large or small volume of renewables, and whether the program design is highly elaborate or relatively basic, designing and implementing competitive procurement of renewable energy programs is eminently achievable, particularly when employing best practices. The continued prominence of this approach in a diversity of jurisdictions and forms strongly suggests a general industry view that the due diligence required to implement such programs is well worth the effort. Further, South Carolina Solar Business Alliance Witness Levitas has proposed answers to numerous procurement design questions and also provided specific language that could be adopted to address many of these topics.[9]

**Q. DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE ACHIEVABILITY OF COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY?**

Yes, I would like to emphasize the achievability of a near-term competitive procurement of renewable energy and, specifically, how this achievability relates to the "greater of" approach I recommended in my direct testimony. If the volume of a procurement is set at 1% of South Carolina retail sales, the small size of the program creates an opportunity to streamline procurement design and target a relatively accelerated timetable. If the IRP identifies more than 1% of South Carolina retail sales as part of the most reasonable and prudent plan, depending on the specific volume targeted, it may be well worth more

[9] Levitas Direct Testimony at 30-31; Levitas Exhibit 11.

extensive deliberation and a more detailed and involved procurement design. In sum, both the desired volume and the desired timing are key considerations for locating a reasonable balance between necessary design detail on the one hand, and regulatory and stakeholder resources and deliberation on the other. These considerations align with the "jurisdictional tailoring" best practice I highlighted in my direct testimony. And while I view simplicity in design as an objective given that the South Carolina regulatory system has not yet been substantially involved in designing and implementing a competitive procurement of renewable energy, this goal should also be balanced against other procurement objectives.

**Q. PLEASE SUMMARIZE THE CONCLUSIONS OF YOUR RESPONSE TESTIMONY.**

A. My response testimony concludes that identification of multiple purposes for implementing a competitive procurement of renewable energy would be appropriate. Those purposes include advancing a goal of state energy policy in a least-cost manner, diversifying energy supply and reducing ratepayer risk exposure created by fossil generation, helping to enable future coal retirements, providing price discovery, and building institutional and market experience with such procurements. The first two of these purposes appear to be consensus suggestions from more than one witness in this proceeding, and thus may warrant extra weight.

My response testimony also concludes that while witnesses in this proceeding do point out challenges and key decisions that would need to be made in implementing a competitive procurement of renewable energy, none of the witnesses appear to substantially question the feasibility or achievability of such programs. I conclude that such programs are eminently achievable, particularly when employing best practices.

Finally, the "greater of" approach I recommended in my direct testimony is strongly compatible with the conclusions I have drawn on the purposes and achievability of a competitive renewables procurement program.

**Q. DOES THIS CONCLUDE YOUR RESPONSE TESTIMONY?**

A. Yes.

STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2019-365-E

| | | |
|---|---|---|
| In the Matter of: | ) | |
| | ) | |
| Exploration of a South Carolina Competitive Procurement Program for the Competitive Procurement of Energy and Capacity from Solar and Other Renewable Energy Facilities by an Electrical Utility as Allowed by South Carolina Code Section 58-41-20(E)(2) | ) | **CERTIFICATE OF SERVICE** |

I certify that the following persons have been served with one (1) copy of the Response Testimony of Kenneth Sercy on behalf of the Southern Alliance for Clean Energy and South Carolina Coastal Conservation League by either electronic mail or U.S. First Class Mail at the addresses set forth below:

K. Chad Burgess
Dominion Energy Southeast Services, Inc.
220 Operation Way – MC C222
Cayce, SC 29033
Chad.burgess@dominionenergy.com

Matthew W. Gissendanner
Dominion Energy South Carolina
220 Operation Way – MC C222
Cayce, SC 29033-3701
Matthew.gissendanner@dominionenergy.com

Marion William Middleton III
Parker Poe Adams & Bernstein, LLP
110 East Court Street, Suite 200
Greenville, SC 29601
willmiddleton@parkerpoe.com

J. Ashley Cooper
Parker Poe Adams & Bernstein, LLP
200 Meeting Street, Suite 301
Charleston, SC 29401
Ashleycooper@parkerpoe.com

Alexander W. Knowles
Christopher M. Huber
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
aknowles@ors.sc.gov
chuber@ors.sc.gov

Richard L. Whitt
Whitt Law Firm, LLC
P.O. Box 362
Irmo, SC 29603
richard@rlwhitt.law

Benjamin L. Snowden
Kilpatrick Townsend & Stockton, LLP
4208 Six Forks Road, Suite 1400
Raleigh, NC 27609
bsnowden@kilpatricktownsend.com

Frank R. Ellerbe III
Robinson Gray Stepp & Laffitte, LLC
P.O. Box 11449
Columbia, SC 29211
fellerbe@robinsongray.com

Heather Shirley Smith
Katie M. Brown
Duke Energy Progress, LLC
Duke Energy Carolinas, LLC
40 W. Broad Street, Suite 690
Greenville, SC 29601
Heather.smith@duke-energy.com
Katie.Brown2@duke-energy.com

Carri Brube Lybarker
Roger Hall
SC Department of Consumer Affairs
clybarker@scconsumer.gov
rhall@scconsumer.gov

Harold Judd
Accion Group, LLC
244 North Main Street
Concord, NH 03301
svincentcrisp@acciongroup.com

Rebecca J. Dulin
Duke Energy Progress, LLC
Duke Energy Carolinas, LLC
1201 Main Street, Suite 1180
Columbia, SC 29201
Rebecca.Dulin@duke-energy.com

James Goldin
Weston Adams, III
Courtney E. Walsh
Nelson Mullins Riley & Scarborough LLP
1320 Main Street, 17th Floor
Columbia, SC 29210
James.goldin@nelsonmullins.com
weston.adams@nelsonmullins.com
court.walsh@nelsonmullins.com

This the 1st of March, 2021.

s/ Martina R. Cattles